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SUBJECT: FOLLOW-UP INFORMATION ON AUSTRIAN TRANSFER OF
DIESEL ENGINES AND TECHNICAL TRAINING TO IRAN

REF: A) VIENNA 2148 B) STATE 116042

Classified By: Acting Economic-Political Counselor Phillip R. Nelson
for reasons 1.4 (b) and (d).

¶1. (S/NF) On August 17, Acting Econ/Pol Counselor followed up on ref b concerns with Helmut Krehlik, Head of the Ministry of Economy's Export and Import Control Division. Krehlik said that he and an official from Austria's domestic intelligence service (BVT), met with Steyr Motors CEO Rudolf Mandorfer in early August to inquire about the company's commercial relations with Iran. Mandorfer confirmed that Steyr had signed a contract with Iran's Marine Industries Group in 2002 to deliver diesel engines to the company. (Note: Krehlik told us that the GoA had informed the USG about this shipment in 2002. End Note). In 2003, Steyr Motors reportedly delivered approximately 600 engines in three separate shipments. Mandorfer maintained that although the original contract stipulated a "higher figure," there have been no further shipments since 2003. Mandorfer added that the contract had expired. Concerning any possible Iranian requests to purchase additional engines, Mandorfer said he would "not even reply to such inquires." He acknowledged that Steyr is conducting training, but only servicing on the engines.

¶2. (S/NF) According to Krehlik, the GoA could not legally stop the on-going training, nor could it have stopped the 2003 shipments. While some customers have modified the Steyr engines for military purposes, -- HMG is reportedly refitting the Steyr engines for some of its tanks -- Steyr does not specifically manufacture the engines in question for military purposes.

¶3. (S/NF) Krehlik said that Mandorfer conveyed to him the impression that he wanted to cooperate with the USG to resolve any outstanding questions. Steyr Motors has recently opened a U.S. subsidiary and the firm has apparently developed a 6.5 liter engine, which it believes will be very competitive in an upcoming U.S. Army tender to replace the Hummer's current engine.
Kilner